

# BONANZA AIR LINES FINANCIAL REPORT

NINE MONTHS  
ENDED SEPTEMBER 30, 1966



TWENTIETH  
YEAR



# REPORT TO SHAREHOLDERS AND EMPLOYEES

The Civil Aeronautics Board, acting upon the Company's program for subsidy elimination filed in May 1965, issued an order on October 24 instituting two route investigations. Both investigations are to be processed on an expedited basis. One of the investigations is entitled the Service to Tucson Case and includes the issues of nonstop service between Tucson and San Diego, Los Angeles, Las Vegas, Reno and Salt Lake City as well as service between Tucson and all points on the Company's route segments 1, 2 and 5, in addition to those set forth with regard to nonstop service.

The CAB simultaneously instituted an investigation entitled the Salt Lake City - Las Vegas - Southern California Service Case to determine whether Las Vegas should be added to the Company's segment 5 permitting direct service between Salt Lake City and Cedar City, and Las Vegas and points in Southern California. In addition the investigation includes the issue of whether a new segment between San Diego, Palm Springs and Las Vegas should be added to the Company's route system.

While the action of the CAB in initiating these proceedings stemmed from the Company's applications for route authority in those areas, other interested carriers may file applications for authority in these investigations. Since the scope of each proceeding is limited to prescribed issues it is believed that both of the investigations can be concluded and decision announced within a year.

Management is confident that the findings in these proceedings will clearly show that air service needs are not presently being met and that the Company is in the best position to provide the services with DC-9 fan/jet and F-27 propjet aircraft. Route awards in these cases would materially strengthen the Company and reduce its dependence on federal subsidy.

In the third quarter of 1966 the Company recorded an increase of 47% in passenger miles over the same period of 1965. Commercial revenue increased 52% to \$4,346,000

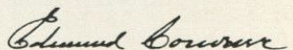


and federal subsidy increased 9% to \$903,000 for a net increase in total operating revenue of 42% to \$5,248,000. Operating expenses increased 38% to \$4,736,000 with resultant earnings from operations of \$512,000 as compared with \$248,000 in the third quarter of 1965. Net earnings, after interest and tax provision, were \$213,202 for the third quarter of 1966 as compared with \$114,867 for the same period in 1965.

For the nine months ended September 30, 1966 total operating revenue was \$13,707,000, a gain of 27% over the same period in 1965. Operating expenses increased by 23% over the first nine months of 1965 to \$12,343,000. Earnings from operations were \$1,363,000 as compared to \$784,000 in the 1965 period. Net earnings after interest and taxes amounted to \$638,242 for the first nine months of 1966, up 48% from the year earlier period of \$432,150. Based on the average shares outstanding during the period the 1966 first nine months earnings were equivalent to 53¢ per share as compared to 38¢ on the average number of shares outstanding in the 1965 period.

The recent enactment of a law suspending the Investment Tax Credit for new equipment will not affect the Company's order for delivery of two Series 30 DC-9 fan/jet aircraft in 1968 since the order was committed well in advance of the October 10, 1966 effective date of the suspension. If additional aircraft are required to service route authority which may be granted in the investigations discussed above, future orders placed may not entitle the Company to the tax benefit.

Sincerely,



Edmund Converse  
President

November 14, 1966

# BONANZA AIR LINES, INC.

## BALANCE SHEET SEPTEMBER 30, 1966

### Assets

Current assets:	
Cash.....	\$ 383,453
Receivables-net .....	2,356,376
Other current assets .....	973,210
Total current assets .....	<u>3,713,039</u>
Properties and equipment, at cost:	
Flight equipment.....	22,901,582
Other property and equipment.....	1,747,233
	<u>24,648,815</u>
Less allowance for depreciation and amortization .....	6,437,137
Net properties and equipment.....	<u>18,211,678</u>
Deposits on equipment purchase contracts.....	149,876
Deferred costs and other assets.....	1,007,638
	<u>\$23,082,231</u>

### Liabilities

Current liabilities:	
Current maturities of notes payable.....	\$ 1,593,809
Accounts payable and accrued liabilities.....	1,707,721
Unused transportation.....	90,019
Total current liabilities.....	<u>3,391,549</u>
Notes payable to banks.....	7,248,259
Convertible subordinated debentures.....	1,881,900
Deferred federal income taxes .....	597,000
Stockholders' equity:	
Common stock \$1.00 par value. Authorized 3,000,000 shares; issued 1,259,134 shares....	1,259,134
Additional paid-in capital.....	4,004,118
Retained earnings.....	4,700,271
Total stockholders' equity .....	<u>9,963,523</u>
	<u>\$23,082,231</u>

## FINANCIAL AND OPERATING STATISTICS

	Nine Months Ended Sept. 30,		
	1966	1965	1964
Aircraft miles flown in revenue service .....	6,174,811	5,779,916	5,761,496
Revenue passengers carried.....	632,346	502,721	464,164
Available seat miles flown (000).....	294,197	230,965	218,647
Revenue passenger miles flown (000).....	164,176	127,562	120,039
Passenger load factor.....	55.8%	55.2%	54.9%
Available ton-miles flown (000).....	31,709	23,097	21,289
Revenue ton-miles flown (000).....	16,272	12,646	11,978
Overall load factor.....	51.3%	54.8%	56.3%
Commercial revenues: Total.....	\$11,028,276	\$8,434,867	\$8,053,619
Operating expenses: Total.....	12,343,439	9,995,685	9,383,550
Per revenue ton-mile of traffic.....	0.76	0.79	0.78
Public service revenue required to provide operating break-even need: Total.....	1,315,163	1,560,818	1,329,931
Per available ton-mile flown.....	0.04	0.07	0.06
Per revenue ton-mile of traffic .....	0.08	0.12	0.11
Break-even need as percent of commercial revenue.....	11.9%	18.5%	16.5%
Commercial revenue as percent of operating expense.....	89.3%	84.4%	85.8%



# BONANZA AIR LINES, INC.

## STATEMENT OF EARNINGS

	Nine Months Ended Sept. 30,		
	1966	1965	1964
Operating revenues:			
Passenger and excess baggage.....	\$10,585,270	8,113,569	7,747,021
Mail, express and freight.....	360,834	255,157	251,814
Charter and incidental.....	82,172	66,141	54,784
Public service (subsidy).....	2,678,389	2,344,639	2,560,658
	<u>13,706,665</u>	<u>10,779,506</u>	<u>10,614,277</u>
Operating expenses:			
Flying operations.....	2,918,175	2,377,240	2,284,130
Maintenance.....	2,580,057	1,906,520	1,766,927
Passenger service.....	610,963	472,910	466,888
Aircraft and traffic servicing.....	2,543,678	2,083,628	1,911,728
Promotion and sales.....	1,427,995	1,355,039	1,260,731
General and administrative.....	1,041,266	913,278	846,714
Depreciation and amortization.....	1,221,305	887,070	846,432
	<u>12,343,439</u>	<u>9,995,685</u>	<u>9,383,550</u>
Earnings from operations.....	<u>1,363,226</u>	<u>783,821</u>	<u>1,230,727</u>
Non-operating revenue (expense):			
Interest.....	(332,894)	(145,436)	(196,153)
Other, net.....	13,910	( 3,235)	6,991
	<u>(318,984)</u>	<u>(148,671)</u>	<u>(189,162)</u>
Earnings before taxes on income.....	1,044,242	635,150	1,041,565
Provision for taxes on income.....	<u>406,000</u>	<u>203,000</u>	<u>518,000</u>
Net earnings.....	638,242	432,150	523,565
Special credit:			
Gain on sale of aircraft			
less applicable taxes of \$233,000.....	<u>390,462</u>	<u>-</u>	<u>-</u>
Net earnings and special credit.....	<u>\$ 1,028,704</u>	<u>432,150</u>	<u>523,565</u>
Net earnings per share.....	<u>\$ 0.53</u>	<u>0.38</u>	<u>0.52</u>
Net earnings and special credit per share.....	<u>\$ 0.86</u>	<u>0.38</u>	<u>0.52</u>
Average outstanding shares.....	1,197,730	1,127,687	1,007,742

# BONANZA AIR LINES

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